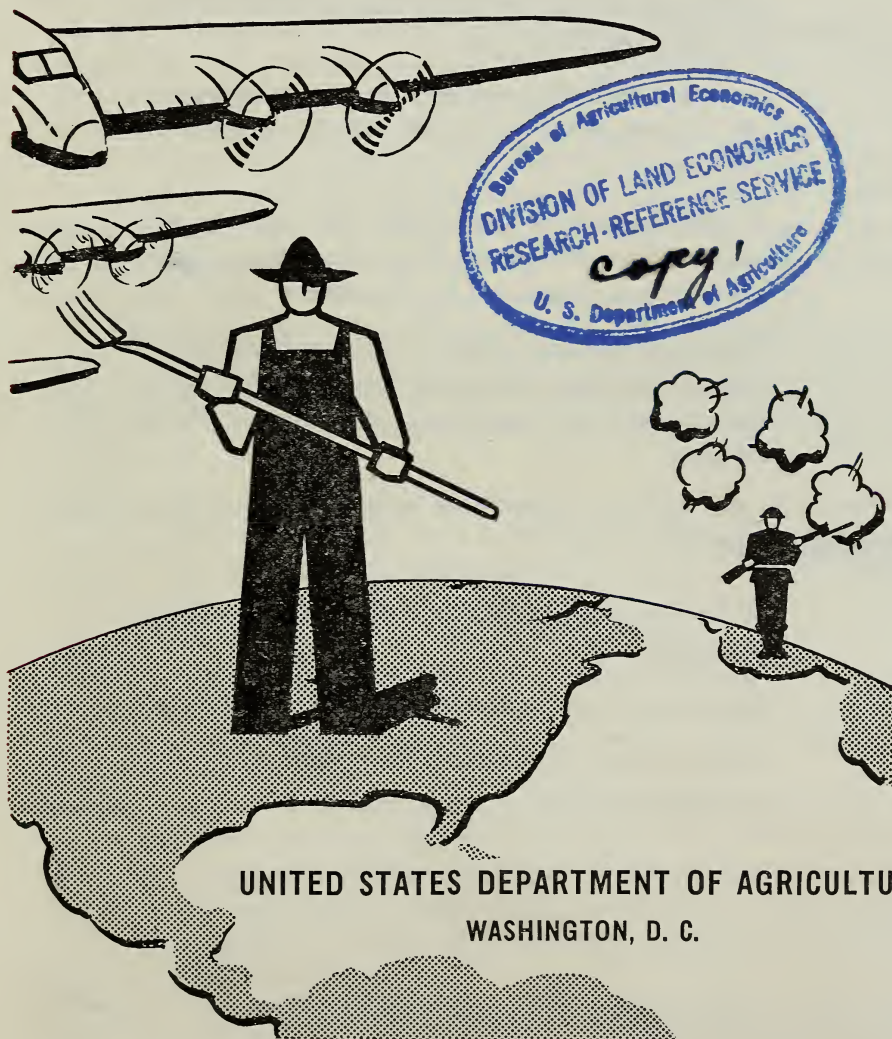


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European War National Defense, and American Agriculture



Prospects—

Farmers have lost most of their export market since the beginning of the war.

Increased city employment and purchasing power will improve domestic demand and prices for farm products.

Farmers producing commodities for domestic use will benefit most from the effects of the defense program on farm prices and farm income.

Farmers depending largely on income from export crops will be more, rather than less, dependent upon income-protection measures of the National Farm Program.

Problems—

What adjustments should be made in agricultural production?

What export markets may be expected in the future?

What are the opportunities for workers not needed in farm production?

European War National Defense *and* American Agriculture

In the coming years farmers will live and do business in an economic world different from the one they have known. They are faced with the necessity for careful planning and adjustment to new conditions. The purpose of this leaflet is to present some of the most important facts they will have to consider.

These basic facts in the present situation stand out clearly:

1. War has cut off completely the continental European market and reduced the volume of farm products going to Great Britain, and, whatever the outcome of the war, the prospect is for small export outlets in most of the years ahead. In the future, therefore, farmers producing export crops will have more, rather than less, need of income-protection measures.

2. Industrial production, employment, and pay rolls are increasing rapidly and for some time will continue to improve the domestic demand for farm products. Prices and incomes received by farmers producing commodities for sale in the United States will therefore increase.

3. The general price level is rising, and this means increases in the costs of goods farmers buy. However, for agriculture as a whole, the prices of commodities farmers sell probably will increase more rapidly than the prices of goods they buy, and the buying power of total farm income will increase to some extent.

Farmers Have Lost Export Markets. American agriculture since the beginning of the war has lost most of its export outlets, and there is little prospect soon of regaining a large part of the former volume of export business. The trend has been downward for many years, but war has completely shut off many of the most important foreign markets.

During the first few months of the war, it is true, cotton exports increased with the aid of the export subsidy and because of the rush of foreign nations to build up their depleted stocks. Now, however, much of the foreign market for cotton is gone.

Cotton producers have lost export markets for about 4 million bales of cotton, an amount equal to nearly one-third of the crop produced this year. Six million bales were exported last year. Exports this year are not expected to total more than 1½ million bales. But the loss in export markets will be partly offset by an increase in domestic consumption of about a million bales over last year.

Wheat producers have lost most of their export market. They cannot expect to export much even to Great Britain, which usually takes about one third of the world's wheat imports. Canada alone has enough wheat to supply an entire normal year's world imports. In the 1938-39 marketing

year, with the aid of the export subsidy, United States exports totaled 107 million bushels and in 1939-40, 45 million bushels. This year, even with the continuation of the export subsidy, probably less than 20 million bushels will be exported by the United States.

Tobacco producers have lost, temporarily at least, export markets for about 250 million pounds of tobacco, primarily flue-cured. Great Britain, our principal export market, is buying very little American tobacco. And continental Europe is unable to import tobacco. In the current year United States tobacco exports are not expected to total more than about 180 million pounds compared with 450 million pounds in the year before the European war.

Hog producers have lost export markets for 75 million pounds of pork and 140 million pounds of lard. The war has entirely shut off continental European markets, and Canada, by a sharp increase in production, has been able to supply British needs for pork. Great Britain has reduced purchases of American lard to about one-fourth of what might be expected during peacetime. For 1940-41 exports of pork are expected to amount to only about 50 million pounds, and of lard to about 180 million pounds, compared with exports in 1939-40 of 140 million pounds of pork and 257 million pounds of lard.

Apple growers have lost export markets for more than 10 million bushels of apples.

Citrus growers have lost markets for fully 3 million boxes of oranges and grapefruit. European demand for fresh fruit practically ceased with the beginning of the war and there has been very little export demand for dried fruit. Exports of prunes this year are expected to equal only about 18,000 tons, compared with exports of 107,000 tons in the year before the war. Raisin exports will total only about 15,000 tons this year, compared with 76,500 tons in the year before the war.

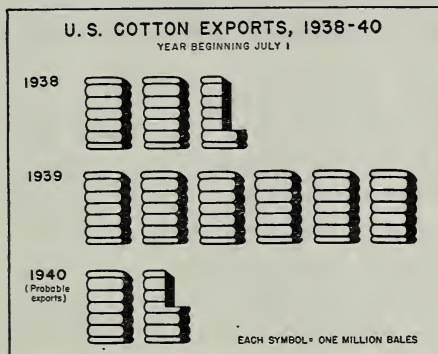
Why the War Has Not Increased Foreign Demand. The effect of the present war on export demand has been the reverse of the World War, which provided a tremendously increased foreign market. This time the belligerents prepared in advance to get along with a minimum of imported agricultural products. Moreover, the blockade has included virtually all of the continental European markets, many of which remained open to United States producers during the World War.

To cut down the necessity for imports, the warring nations in the present conflict have rationed products usually imported. The Axis powers are buying nothing here. Whenever possible, Great Britain is buying farm products from Empire and other markets on credit and conserving dollar exchange in this country for buying munitions.

The Future of Foreign Markets. Producers of export crops face the prospect not only of serious reduction in foreign outlets as long as the war continues, but of small exports in the years to follow. The long-time trend of farm exports has been downward since the beginning of this century.

From 1898 to the beginning of the World War there was a decline of more than 20 percent in the volume of agricultural exports. The war temporarily reversed the trend. It brought a tremendous increase in foreign demand. During the 1920's loans to Europe helped to maintain export sales. But when lending stopped exports fell. In the depression of the early 1930's farm exports reached the lowest point since the World War. Exports of the 1930's failed to come back to the level of the 1920's, and in the drought period practically disappeared for some commodities.

There are several outstanding reasons for the downward trend in agricultural exports. The early years of the present century saw the beginning



of serious competition from other exporters of agricultural products, such as Canada, Argentina, and Australia. They have developed as agricultural rather than industrial nations and have been trading increasing quantities of their farm products to the industrial nations of Europe. The preferential British tariff has given Empire countries an added advantage in the British markets. The United States, being an industrial nation, following a high-tariff policy and, unwilling to accept industrial goods in payment for exports, has been less able to trade farm products to Europe.

With the trend in foreign countries toward the handling of all foreign trade through government agencies, the amount of farm products United States producers are able to sell abroad in the future will depend even more upon the amount of goods this country is willing to accept in exchange.

There has been a decided trend toward agricultural self-sufficiency in European nations and a marked increase in the production of industrial substitutes for farm products, so that these nations do not now even in peacetime need to import as much farm produce as formerly.

Better Markets in This Country. For agriculture as a whole, the improved demand conditions in this country probably will more than offset the bad effects on farm prices and income of the loss of export markets. By late 1940 more people were at work than at any time in the previous 10 years, and more money was being paid out in wages. Under the stimulus of the national defense program, industrial production already has exceeded the 1929 level.

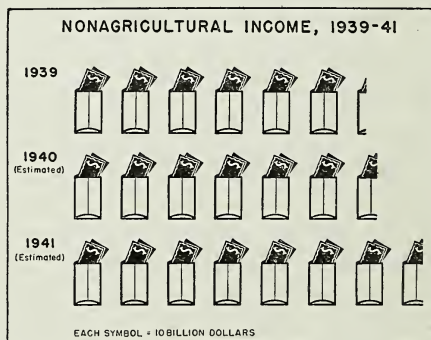
To meet the prospective defense requirements, in addition to civilian consumer needs, will require more than 3 million additional men on industrial pay rolls by 1942. More than a million men are to be withdrawn from the available labor force into the military force. This total draft of more than 4 million men upon the Nation's manpower will cut unemployment about in half.

Consumer buying power is increasing, and the general trend will be upward for some time to come. City workers are now able to pay more for farm products, and there will be a further increase in buying power in 1941. This trend probably will carry forward into 1942. Defense expenditures probably will reach their highest rate in that year. Even after 1942, defense production will continue considerably higher than in recent years.

The higher incomes of American consumers will result in increased demand for farm products. The total demand will increase for such farm commodities as meats, dairy products, poultry products, vegetables, and some fruits. On the other hand, increased domestic consumption of such products as cotton, wheat, and tobacco will not offset the loss of export markets for these products. A substantial rise in the general price level, however, might result in some increases in prices of these commodities.

Shifts in Farm Production. Prices and incomes received by farmers will also be affected by the domestic supply situation. In general, the changes in production now in prospect for the next year or so, under average weather conditions, will not be great for most commodities. Changes in demand will be the dominating influence affecting changes in prices and income.

The hog-production cycle has passed its peak. This means a reduction in pork supplies in 1941. The number of beef cattle on farms is increasing, and this will mean larger beef supplies in the future. Wool and lamb production is likely to continue at or a little above current levels. Although total meat production probably will be smaller in 1941 than in 1940, the trend thereafter is likely to be moderately upward. Supplies of dairy products are expected to increase. Poultry production is now somewhat



curtailed but can be expected to expand rather quickly with an advance in prices.

Price and Income Prospects. For the producers of most of the farm commodities chiefly dependent upon domestic markets, the prospects are for strengthening prices and increased farm income for some time to come. For the producers of commodities of which a considerable proportion is normally produced for export, prices and income will continue to depend heavily upon operation of the National Farm Program.

In spite of the reduced European outlets for hog products, hog prices may advance sharply in 1941 because of smaller production and increased consumer buying power. Prices of fats and oils, however, will probably continue low, and this will tend to limit the advance in hog prices.

Beef cattle prices already are relatively high. As long as producers continue to hold back breeding stock in order to increase cattle numbers, slaughter supplies will remain comparatively steady. Lamb and wool prices may advance more in the next year, and for lambs the price advance may be further extended.

Increased purchasing power of consumers will materially strengthen dairy markets and result in higher prices. Increased production probably will limit the increase in dairy prices.

To sum up:

Farmers producing commodities for domestic use and located near expanding industrial centers will be in the best position to benefit from the effects of the defense program on farm prices and income.

Farmers depending largely upon income from export crops will benefit least by the defense program and will be most seriously affected by the loss of foreign markets.

Production Costs Increasing. Farm-production costs will increase with the rise in the general level of prices. The goods that farmers use will go up in price. But for agriculture as a whole the rise in farm prices will more than offset the increase in production costs.

Even for the more fortunately situated producers of commodities for the domestic market, the rise in production costs will offset in part the expected rise in prices and gross income. Increased production costs will make even more difficult the problems of producers of export commodities.

Farmers Still Working for Parity. The parity-price goal of the farm program has not yet been reached for most commodities. The ratio of prices received by farmers to prices paid for commodities and services used in production is still about 20 percent below the 1910-14 average, the goal established in national farm legislation by Congress.

For the commodities consumed domestically, progress toward the parity goal will be speeded by the increased employment and income resulting from the defense program. For the others, further progress or even retention of the past gains will depend heavily upon the National Farm Program.

Farm Program More Important. The farm program is holding prices for most export crops well above world levels. Prices for these crops and incomes of producers will continue to depend heavily upon production adjustment, commodity loans, surplus-removal programs, and farm-program payments.

Important elements in the national defense—maintenance of adequate food and fiber reserves, improved health and strength through distribution of farm surpluses to needy consumers, and conservation of soil—also are dependent upon the farm program.

New Opportunities Needed for Farm Families. There will be continued need for aid for low-income farm families, although increased city employment will provide some alternative opportunities and help to relieve the pressure of overpopulation on the land.

New and better opportunities will be needed for some who have been producing export crops for which markets will be seriously curtailed, as well as for those now on the land who are not needed in agricultural production.

The South is faced with the problems of both a large low-income rural population and the loss of foreign markets for its chief product—cotton. Similar problems will be difficult in other regions, such as the drought areas of the Great Plains, some of the specialty-crop areas of the Pacific coast, and the densely populated sections of the Appalachians.

Farm Needs in the Future. There will be increasing need for farmers to study their problems and cooperate in planning and wise action to solve them. Some of the major problems facing farmers now and for the coming years are:

1. Adjustment of farm production to find alternative opportunities for farmers who have been producing for export markets.
2. Working out of methods and conditions under which the United States may be able to regain some foreign markets after the war is over.
3. Improvement of the marketing and expansion of the domestic use of farm products.
4. Preparation for readjustments which will be required at the end of the war and at the end of our own defense effort.
5. Continuation without interruption of the conservation of soil, timber, water, and grass—the basic elements of agricultural and national wealth.

